

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 STRE-00 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 AF-08 EA-07 NEA-10 OIC-02 XMB-02

OPIC-03 /143 W

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P R 281551Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1803

INFO AMEMBASSY BRASILIA

USMISSION EC BRUSSELS

AMEMBASSY LISBON

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 6056

H PASS CODEL

LISBON PLEASE PASS JOHN GREENWALD

ACTION STR

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: 7-PLUS-7 MEETING ON BRAZILIAN PROPOSAL

REFS: (A) MTN GENEVA 5814, (B) MTN GENEVA 5840,
(C) STATE 181765

1. SUMMARY: 7-PLUS-7 MEETING JULY 27 REVEALED GENERAL
WILLINGNESS IN PRINCIPLE TO SET UP AN MTN GROUP ON FRAME-
WORK IMPROVEMENT IF UNDERSTANDING CAN BE WORKED OUT AS TO WHAT
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SHOULD (AND SHOULD NOT) BE TAKEN UP IN SUCH A GROUP.

NO MAJOR DC READY TO SIGN OFF ON THIS YET AND MOST OF THEM VOICED DOUBTS OR OBJECTIONS TO SPECIFIC TOPICS PUT FORWARD THUS FAR BY BRAZIL. 7-PLUS-7 WILL MEET AGAIN ON THIS TOPIC ABOUT MID-SEPTEMBER. SURPRISINGLY, EC VOLUNTEERED SUGGESTION THAT SUPPLY ACCESS BE ADDED TO WORK PROGRAM WHILE CANADA RAISED ONLY MILD OBJECTION. END SUMMARY.

2. FOLLOWING AMBASSADOR MACIEL'S INTRODUCTION OF DRAFT TERMS OF REFERENCE (REF A) AS NOT DIFFERING INSUBSTANCE FROM EARLIER BRAZILIAN PAPERS ON FRAMEWORK GROUP, EC (LUYTEN) STATED IT COULD GO ALONG WITH CREATION OF GROUP BUT WOULD INSIST ON IDENTIFYING MORE PRECISELY WHAT THE GROUP COULD DO. EC THOUGHT IT IMPORTANT TO INCLUDE NOT ONLY LDC/DC ISSUES BUT ALSO (A) QUESTIONS REGARDING TRADE AMONG LDCS (ESPECIALLY LEAST DEVELOPED) AND (B) QUESTIONS OF INTEREST TO CPS IN GENERAL, I.E., DCS. AMONG SUBJECTS COMMUNITY WOULD INTRODUCE, "INITIALLY OR SUBSEQUENTLY," WOULD BE SECURITY OF SUPPLY, ALTHOUGH THERE WAS NO COMMON VIEW YET ON OTHER ISSUES EC MIGHT WANT TO THROW IN. EC WOULD WANT TOKYO DECLARATION "FEASIBLE AND APPROPRIATE" LANGUAGE REFLECTED IN TERMS OF REFERENCE FOR GROUP. EC PRESENTLY CONSIDERING WHETHER DETERMINATION OF WORK PROGRAM WOULD BEST BE DONE WHOLLY BY GROUP, WHOLLY BY TNC, OR BY CONSULTATION IN ADVANCE WITH POSSIBLE ADDITIONS LATER. COMMUNITY COMMENTED ON FOUR BRAZILIAN TOPICS AS FOLLOWS:

A. DID NOT FAVOR BINDING PREFERENTIAL RATES OR MARGINS OF PREFERENCE AS THIS WAS NOT ACCORD WITH "ESSENCE" OF GSP. ANY CONSIDERATION OF MFN IN RELATION TO NON-TARIFF MEASURES WOULD HAVE TO BE TEMPERED BY "FEASIBLE AND APPROPRIATE" LANGUAGE.

B. UNCLEAR ON BRAZILIAN REFERENCE TO "SAFEGUARD ACTION." WOULD THERE BE MORE FLEXIBILITY FOR LDS, OR MORE MANDATORY RULES ON DCS, OR SOMETHING ELSE?

C. UNCLEAR ON BRAZILIAN REFERENCE TO DISPUTE SETTLEMENT. 1966 PROCEDURES ESPECIALLY FOR LDCS HAD NOT YET BEEN USED, SO WHAT MORE WAS NEEDED NOW? LIMITED OFFICIAL USE

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D. UNCLEAR ON BRAZILIAN DESIRES ON NON-RECIPROCITY. WHAT MORE DID THEY WANT BESIDES PART IV AND TOKYO DECLARATION?

3. CANADA (GREY) ECHOED EC VIEWS ON IMPORTANCE OF INCLUDING DC INTERESTS AND THOSE OF LEAST DEVELOPED, NOTING IN CONNECTION WITH LATTER THAT GRANT-

ING S&D MIGHT BE LESS DIFFICULT IF IT WERE LIMITED TO
LEAST DEVELOPED. CANADA ALSO TROUBLED BY POTENTIAL FOR
INTERFERENCE WITH OTHER MTN GROUPS. SPECIFIC COMMENTS:

A. OPPOSED TO BINDING RATES OF PREFERENCE OR MAR-
GINS OF PREFERENCE.

B. SAFEGUARDS ITEMS UNCLEAR, SINCE GGROUP SAFEGUARDS
WAS ALREADY RANGING MORE BROADLY THAN ARTICLE XIX. IT
WAS "INEXPEDIENT" NOW TO TAKE UP SOMETHING CALLED SAFE-
GUARDS IN A FRAMEWORK GROUP.

C. DISPUTE SETTLEMENT AND RELATED TOPICS ALREADY
UNDER DISCUSSION IN SAFEGUARDS, SECTORS, AND STANDARDS,
AND IT WAS THUS PREMATURE TO DISCUSS AS SEPARATE SUBJECT
IN FRAMEWORK GROUP.

D. DID RECIPROCITY (OR "NON-RECIPROCITY") REFER
TO TRADE AMONG COUNTRIES, OR BARGAINING AMONG COUNTRIES,
OR RULES AMONG COUNTRIES? MORE CLARIFICATION NEEDED.

ON SUPPLY ACCESS SUGGESTION, GREY SOMEWHAT UNEX-
PECTEDLY ONLY CHARACTERIZED HIS POSITION AS SIMILAR TO
THAT ON SAFEGUARDS AND DISPUTE SETTLEMENT, I.E., IT WAS
ALREADY BEFORE OTHER GROUPS AND CONSEQUENTLY "PREMATURE"
TO CONTEMPLATE DISCUSSION IN A FRAMEWORK GROUP.

4. U.S. (AMBASSARO WALKER), DRAWING ON REFS B AND C,
NOTED THAT OTHERS HAD ALREADY MADE MANY OF OUR COMMENTS.
WE CONTINUED TO BE MORE INTERESTED IN REACHING AN UNDER-
STANDING AMONG ALL KEY DELS ABOUT SUBSTANTIVE ISSUES TO
BE ADDRESSED IN FRAMEWORK GROUPS RATHER THAN DRAWING UP TERMS
OF REFERENCE AT THIS TIME. A LIST OF TOPICS CONSISTENT
WITH OUR THREE CRITERIA (WHICH WE RESTATED) COULD BE BASIS
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FOR DECISION TO CREATE GROUP. U.S. COMMENTED SPECIFICALLY
ON FOUR BRAZILIAN TOPICS ALONG LINES REF C, INCLUDING
FIRM OPPOSITION TO BOUND RATES OR MARGINS OF PREFERENCE.
WE SUGGESTED THAT ADDITIONAL ISSUE FOR POSSIBLE GROUP WAS
SUPPLY ACCESS, ALTHOUGH WE WERE NOT READY TO ADVANCE
SPECIFIC FORMULATION YET ON THIS OR OTHER POSSIBLE ITEMS
OF BROADER INTEREST BUT WOULD BE CONSULTING DELEGATIONS.

5. NORDICS (SELMER OF NORWAY) GAVE MOST UNQUALIFIED
ENDORSEMENT AMONG DCS TO BRAZILIAN PROPOSAL, NOTING THAT
PROPOSED TERMS OF REFERENCE SEEMED ABOUT RIGHT. SUGGESTED
THAT DELEGATIONS "APPLY THEIR INGENUITY" TO AGREEING
ON SPECIFIC TOPICS WITHIN NEXT FEW MONTHS.

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INFO OCT-01 ARA-06 EUR-12 IO-13 ISO-00 STRE-00 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

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OPIC-03 /143 W

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P R 281551Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1804

INFO AMEMBASSY BRASILIA

USMISSION EC BRUSSELS

AMEMBASSY LISBON

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H PASS CODEL

LISBON PLEASE PASS JOHN GREENWALD

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6. JAPAN (UKAWA) NOTED THAT IT HAD NOT YET THOUGHT THROUGH THE ISSUES AND THUS BENEFITED FROM VIEWS EXPRESSED IN MEETING, AND WOULD PROBABLY AGREE WITH MUCH BUT NOT ALL OF WHAT OTHER DCS HAD SAID. NOTED ESPECIALLY THAT PARGARPH 9 OF TOKYO DECLARATION REQUIRED ANY CHANGES IN FRAMEWORK WOULD BE CONSISTENT WITH GOAL OF FURTHER LIBERALIZATION, AND THAT NOT ALL POSSIBLE CHANGES THAT MIGHT BE PROPOSED WOULD MEET THIS TEST.

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7. INDIA (CHADHA) SUGGESTED TERMS OF REFERENCE BE LIMITED TO FIRST PARAGRAPH OF BRAZILIAN PAPER SINCE SECOND AND THIRD PARAGRAPHS OF SAME (NON-INTERFERENCE, NON-OVERLAP, SPECIFIC STATEMENT OF WORK ITEMS) NOT APPROPRIATE FOR ANY TNC DECISION. TNC JUDGEMENT ON COMPLETE WORK PROGRAM IN ADVANCE WOULD PREJUDICE GROUP'S ABILITY TO DO WHAT WAS NECESSARY. COMMENT: THIS PARALLELS CLOSELY INDIAN COMMENT IN PARIL AGREEING FOR MAXIMUM GENERALITIES IN FRAMEWORK GROUP'S TERMS OF REFERENCE. END COMMENT.

8. PAKISTAN BRIEFLY NOTED APPARENT CONFLICT BETWEEN LIMITED TIME-FRAMEWORK FOR WORK OF GROUP AND IDEA OF ADDING IN FURTHER ITEMS (OF DC INTEREST). THIS ARGUED FOR NARROWER AND MORE PRECISE DEFINITION OF WORK PROGRAM IN ADVANCE (AND, BY IMPLICATION, SHORT SHRIFT FOR "DC ITEMS"). HE ALSO REVIVED IDEA OF "CONSOLIDATING" LDC TOPICS IN FRAMEWORK GROUP.

9. IN GENERAL REPLY, MACIEL SAID:

A. PLEASED AT INDICATION FROM OTHER DELS THAT TIME IS GETTING RIPE FOR CREATION OF GROUP.

B. AGREED WITH CHADHA UNDERSTANDING THAT SECOND AND THIRD PARAGRAPHS OF DRAFT TERMS OF REFERENCE WERE INTENDED TO BE INTERPRETATIVE AND FORMAL TERMS OF REFERENCE COULD BE CONFINED TO FIRST PARAGRAPH.

C. BRAZIL, FOR ITS PART AT LEAST, ACCEPTS CONDITIONS ON OVERLAP, TIME CONSTRAINTS, ADDITION OF ITEMS OF DC INTEREST, ETC.

D. LIST OF ITEMS WOULD BE ILLUSTRATIVE BECAUSE IF IS DIFFICULT TO SPECIFY IN ADVANCE EXACTLY WHAT WOULD BE DONE; LACK OF DC CERTAINTY ON HOW TO FRAME SUPPLY ACCESS ISSUE ILLUSTRATES THIS. THUS FRAMEWORK GROUP WOULD HAVE TO BE GIVEN A CERTAIN FLEXIBILITY TO DECIDE WHAT IT SHOULD DO IN LIGHT OF WHAT OTHER GROUPS ARE ALREADY DOING. BRAZILIAN LIST WAS NO MORE THAN BRAZIL'S PREFERRED PRIORITIES--OTHERS HAD THEIR LISTS.
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E. TO JAPAN: BRAZIL NOT AIMING FOR SWEEPING, IDEALISTIC, OR GATT-INCONSISTENT FRAMEWORK IMPROVEMENTS,

BUT DID WANT TO BETTER THE POSITION OF THE LDCS. HOW-
EVER, "WE USUALLY LEAVE OUR IDEALISM TO OTHER FORUMS
OUTSIDE THE GATT."

F. HOPED 7-PLUS-7 COULD SCHEDULE ANOTHER MEETING
IN NEAR FUTURE TO PUT TERMS OF REFERENCE INTO "SEMI-
FINAL FORM."

10. IN CLOSING MEETING, DG LONG PRESSED FOR FOLLOUP
SESSION EARLY IN SEPTEMBER BUT IN FACE OF REISTANCE BY
EC, HE GRUDGINGLY AGREED DATE WOULD HAVE TO BE FIXED
LATER IN CONSULTATION WITH DELEGATIONS; FOR PLANNING
PURPOSES, HOWEVER, HE SAID DELS SHOULD CONTEMPLATE
7-PLUS-7 ON THIS NO LATER THAN SEPTEMBER 17.

11. COMMENTS:

A. PRIOR COORDINATION WITH LUYTEN GAVE NO HING HE
WOULD SUPOORT RELEVANCE OF "DC ITEMS" TO GROUP OR
SPECIFICALLY RAISE SUPPLY ACCESS. HOWEVER, WE UNDERSTAND
FROM MEMBER STATE REPS THT GERMANY, UK, AND POSSIBLY
OTHERS ASKED HIM IN EC COORDINATION MEETING TO MENTION
SUPPLY ACCESS, AND FRANCE, WHICH MIGHT HAVE OBJECTED
ON GROUNDS THIS WOULD OPEN WAY FOR OTHER "U.S." IDEAS,
DID NOT OBJECT.

B. ADVANCE DISCUSSION BETWEEN U.S. AND BRAZILIAN
DELS INDICATES BRAZIL WANTS AND EXPECTS A TNC MEETING
SOMETIME IN SECOND HALF OF OCTOBER TO LAUNCH A FRAMEWORK
IMPROVEMENT GROUP. BRAZIL ACCORDINGLY QUITE HAPPY TO
GIVE U.S. AND OTHER DCS ANOTHER SIX WEEKS OR SO TO DECIDE
WHAT THEY WANT INCLUDED OR EXCLUDED FROM MANDATE OF SUCH
A GROUP.

C. BRAZIL THINKS DIFFICULTIES OF FORMULATING
PRECISE MANDATE ARGUES FOR OPEN-ENDED TERMS OF REFER-
ENCE ALONG LINES FIRST PARA OF BRAZILIAN PAPER; ASSURANCES
OF NO OVERLAP, NO REOPENING, AND LIMIT TO MTN TIME-FRAME
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CAN BE REPEATED AT TNC LEVEL AND RECORDED IN SOME WAY
AS AN AGREED CONSENSUS. WE ARE INCLINED TO THINK
BRAZIL WILL PRESS THIS LINE MORE VIGOROUSLY AT SEPTEMBER
7-PLUS-7 IF AT THAT MEETING IT LOOKS LIKE U.S.
AND/OR OTHER DCS STILL WANT MORE TIME. INDIA ALREADY
TOOK THIS POSTURE AT JULY 27 MEETING. BEST (AND PERHAPS
ONLY) WAY TO HEAD OFF A GENERAL ACQUIESCENCE IN FAVOR
OF SUCH A SOLUTION IS FOR U.S. TO DRAFT A MANDATE OR
TERMS OF REFERENCE WE WOULD PREFER AND BEGIN CONSULTING
KEY COUNTRIES ASAP. WALKER

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